

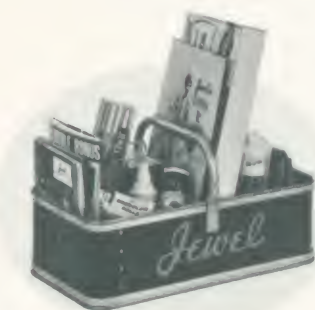
Jewel Tea Co., Inc.

ANNUAL REPORT 1961

FOOD STORES



OSCO DRUG, INC.



HOME SERVICE ROUTES



TURNSTYLE CORPORATION



SUPERMARCHÉS G. B.
AND SUPER BAZARS

RESULTS IN BRIEF

Combining for 1961 and 1960, Jewel Tea Co., Inc., Osco Drug, Inc. (acquired in February, 1961), and Turnstyle Operating Corp. (acquired in February, 1962). In computing earnings per share, common stock issued in connection with these acquisitions has been considered to be outstanding during all of 1961 and 1960.

	52 WEEKS ENDED DEC. 30, 1961	52 WEEKS ENDED DEC. 31, 1960
Retail sales	\$552,248,995	\$519,721,034
Earnings:		
Before federal income taxes	\$ 20,476,469	\$ 20,705,856
Net for the year	10,029,469	9,946,856
Per cent to sales and revenues	1.8%	1.9%
Earned per share of common stock	\$ 2.77	\$ 2.82
Cash dividends paid per share of common stock	\$ 1.50	\$ 1.40
New property, plant and equipment (net) . .	\$ 7,842,756	\$ 9,510,978
Depreciation, amortization and retained earnings	\$ 10,950,619	\$ 11,050,985
	As of Dec. 30, 1961	As of Dec. 31, 1960
Net working capital	\$ 47,276,547	\$ 44,871,019
Ratio of current assets to current liabilities	2.0 to 1	2.0 to 1
Operating units:		
Number of Supermarkets	286	285
Square feet of floor space	3,377,531	3,278,898
Number of Home Service Routes	1,881	1,898
Number of Retail Drug Stores	33	30
Number of Self-Service Department Stores	4	3
Stockholders	9,362	9,018
Common shares outstanding	3,543,682	3,450,249
Preferred shares outstanding	55,369	56,909
Regular full-time employees	10,935	10,522

CONTENTS

page 1	Management's Report
page 4	Food Stores
page 5	Osco Drug, Inc.
page 7	Turnstyle
page 8	Home Service Routes
page 10	Supermarchés G.B. and Super Bazaars
page 11	Financial Statements and Notes
page 16	Accountants Report
page 17	Directors and Officers
page 18	Ten Year Financial Summary
page 20	Principal Locations

ANNUAL MEETING
—The annual meeting of stockholders will be held at 2:00 p.m. on Tuesday, May 8, 1962 at the Biltmore Hotel in New York City.

*George L. Clements, President, and
Franklin J. Lunding, Chairman
of the Board of Directors.*



February 28, 1962

**MANAGEMENT'S
REPORT**

We are pleased to report on results for the 52 weeks ended December 30, 1961, our 63rd year of operation and the 9th consecutive year of new records in both sales and total net earnings. Retail sales totaled \$552,248,995, a rise of \$32,527,961 or 6.3% over sales of the previous year. Net earnings reached \$10,029,469, compared with \$9,946,856 in 1960, and amounted to 1.8% of sales. Earnings per share of common stock were \$2.77 in 1961 based on 3,543,682 shares outstanding at the end of the year. Earnings were \$2.82 per share in 1960 on the 3,450,249 shares outstanding at the end of that year. The number of stockholders increased to 9,362 on December 30, 1961 from 9,018 on December 31, 1960.

The year was marked by a downward drift in retail food prices, especially noticeable in the fourth quarter. In December 1961, the Food-At-Home Index of the U. S. Department of Labor stood at 116.9 (1947-49=100), down 1.5% from December 1960. It should be noted that this Index in December 1961 was only 1.7% higher than it was 10 years earlier, in December 1951, under price control.

All statements and data in this report incorporate retroactively the results of Turnstyle Operating Corporation for 1961 and 1960. Turnstyle Operating Corporation was acquired by Jewel Tea Co., Inc. on February 28, 1962 through the exchange of 60,727 shares of Jewel common stock for all of the shares of Turnstyle on a pooling-of-interests basis and, for reporting purposes, these shares are considered to have been outstanding in both 1961 and 1960.

THE GOALS THAT GUIDE US • For our Company, 1961 was a year of action to implement the general goals outlined in our 1960 Annual Report. In accordance with these aims we have directed our planning for future growth in the direction of self-service retailing for food, drugs,



health and beauty aids, clothing, toys, hardware and other household products which customers purchase frequently. This approach is in keeping with three main developments in the history of retailing since World War II:

1. Growth of a mass-market for an ever-increasing variety of up-graded products and services as average family income has risen.
2. Adjustment of retailing facilities to accommodate customers who come by automobile for low-cost, quick and easy one-stop shopping.
3. Spread of the low-cost self-service method of operation to an increasing number of fast-turnover merchandise lines.

Thus, in this country and also abroad, there appears to be a natural gravitation toward central management of the merchandising and operation of diversified lines, keyed to pleasant, easy and economical self-service shopping in stores with convenient parking lots.

GROWTH IN DIVERSIFIED WAYS • We plan to continue our dedication to the merchandising of quality food lines at low cost which has long been the cornerstone of our growing supermarket business. We believe that food store lines as we now know them will continue to be a most significant factor in the acceptance of broadened merchandising facilities. For example, food store sales in the United States totaled \$55.4 billion in 1961 or substantially more than the combined sales of drug, apparel and all general merchandise stores which totaled \$46.4 billion. The latter figure includes the sales of self-service discount department stores which have been estimated to be \$4 billion to \$5 billion. Thus, as operators of food supermarkets, we feel we have a unique opportunity to grow by satisfying the increasing customer demand for one-stop shopping for diversified convenience lines offered under central merchandising management.

We also believe that the new merchandising will not outmode and replace present-day supermarkets. The large general merchandise center is designed to draw from an area within a radius of ten miles or more and is keyed to shopping for the whole family as well as for day-to-day necessities. The supermarket will continue to have a large place in neighborhood self-service retailing.

Accordingly, this past year we carried forward the development of our supermarket operations, including the opening of new stores, but more particularly adding to the food services in these stores. We expect to continue this development. Similarly, we are planning for a further increase in the number of existing-type Osco drug stores where research indicates they can have a definite place in providing low-cost self-service retailing of drug and variety lines in the main shopping areas of moderate-sized cities. We also expect that Turnstyle self-service department stores will continue to expand in the New England Area.

Simultaneously, we will push ahead from the start made in 1961 toward the merging of Jewel-Osco operations into merchandising combinations to satisfy more completely the developing demand of shoppers for under-one-roof neighborhood stores for convenience items. Further, our first true family center, in Racine, Wisconsin, is nearing completion. This 110,000 square-foot Center incorporates a food supermarket, a variety-drug store and extended lines of apparel and other soft goods, all

under one roof. A special Jewel Division will merchandise this entire self-service operation with the aim of maximizing the sales and profits of the Center as a whole.

In 1962 we will therefore increase the pace of construction and opening of new retail facilities of all types. Specifically, we expect to expand our food supermarket operations with approximately 20 new stores. There will be 10 or more Osco drug-variety stores, of which 6 will be combinations with Jewel supermarkets in the Chicago Area. We also expect to start construction of 4 additional Family Centers to be opened in 1963. Further details on these plans are contained in the discussion of the individual departments.

SUMMARY OF OUTLOOK • As we enter 1962, the United States economy is moving toward increased employment and incomes are rising. This should offer opportunity to increase the sales volume of food and convenience merchandise such as we offer. Present indications are that food prices overall should be fairly stable.

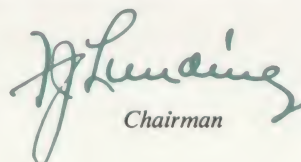
At the same time, there is no prospect that presently intense competitive pressures will relax. For example, as this report is being written, there are rumors another major retailer in Chicago soon will begin to give trading stamps. During the last 5 years beginning in 1957, despite trading stamps offered by two major competitors in the Chicagoland Area, Jewel stores have served an ever-increasing number of customers. The effect on Jewel's sales and earnings was only temporary and was not noticeable in our annual results, as indicated in the 10-year Financial Summary on pages 18 and 19 of this report. This continued growth without stamps is attributable to concentrating on Jewel's responsibility to protect the *quality* of food the customer buys, the *services* she needs and the *low prices* she pays for food at Jewel. Even if trading stamps are offered in Chicago by an additional major competitor, we will continue this policy.

Our program of facilities and merchandise expansion is an ambitious one, but we do not anticipate that it will require additional outside financing. This program will, however, continue to require in 1962, as it did in 1961, substantial expense for research, promotion and training. Jewel people, who share in profits, identify their own personal goals with those of the Company. We are therefore confident that their interest and ability will once again help chalk up a creditable record in 1962.



President

FOR THE BOARD OF DIRECTORS


Chairman

FOOD STORES



Howard R. Rasmussen, Vice President, Food Stores, John A. Brewer, Vice President, Store Meat Operations and Fred A. Woerthwein, Vice President, Store Grocery Operations, pictured in foreground of one of the 66 Jewel pastry departments opened in 1961.



286 food stores are in operation in this 4-state area, of which 230 are in the 6-county Chicago Metropolitan Area.

Our food supermarket business, the largest part of our present operations, continued to move forward in 1961. During the year, 12 food supermarkets were opened and 11 closed, leaving 286 in operation at the end of the year. These figures include 2 Jewel supermarkets opened in 1961 in Chicago in combination with Osco self-service variety-drug stores.

A major share of attention in 1961 was devoted to the development of food services in existing as well as new stores, to enhance the reputation of these stores as places to purchase quality foods at low cost. Of particular note was the introduction of self-service frozen pastry departments supplied from our new pastry bakery in Melrose Park. This 113,000 square-foot facility began to supply a limited group of stores in April and this number was rapidly increased through the summer and into the fall. By year end we had opened Jewel pastry departments in 66 Chicago Area stores. In addition, local bakers with a reputation for quality merchandise were supplying 60 of our stores with fresh pastry goods, an increase of 23 during the year. Besides these, all 43 of our Eisner Division stores in central and eastern Illinois and western Indiana continue to be supplied from their own bakery with quality fresh pastry products. Thus we now have 169 stores which offer quality pastry products on a self-service basis.

Emphasis on other food services also continued in 1961. Sausage shops in Jewel stores carry a variety of sausages and other specialty smoked meats, barbecued chicken and ribs and an assortment of other delicatessen-type items. A total of 19 such shops was added in 1961,



raising the number in operation to 113 at year end. In addition, we have more extended delicatessen departments in 17 of our larger supermarkets.

Our effort to present Jewel as a place to buy quality foods is also reflected in continued emphasis on Chef Cut Meats. These are boned, trimmed and tied for easier cooking and carving, even beyond the Extra Value Trim of our regular line of quality meats. Frozen, prepared and other convenience foods are also growing in volume, but we continue to stress the maintenance of quality standards in all perishable products—fresh meats, fresh fruits and vegetables and dairy products. This care

with fresh food reflects our conviction that food will continue to be the central element in neighborhood shopping facilities and that food values will determine where customers will shop.

Values in food will continue uppermost in our mind as we move forward with an expanded schedule of supermarket construction in 1962. We have plans for 20 Jewel supermarkets, not counting the Turnstyle Family Center in Racine, Wisconsin, which is described later in this report. Of these, 8 will be free-standing units in Chicago and suburbs, 4 will be combinations with Osco drug stores and 8 will be Jewel markets located in shopping centers. Of the latter, 4 will be in neighborhood centers, 2 will be in conjunction with large self-service department stores operated by others, and 2 will be in large new Chicago Area regional shopping centers, Oakbrook and Randhurst.

OSCO DRUG, INC.



Max E. Harnden, Osco Vice President and General Manager, Paul Stratton, Osco President, and George T. Hilden, Osco Vice President and Merchandise Manager, shown in an Osco drug-variety store.

Osco Drug, Inc. was acquired on February 16, 1961, as a step in our diversification into general self-service retailing. While Osco Drug, Inc. is a wholly-owned subsidiary of Jewel, a high degree of independence in its operations and policies has been maintained.

Osco operates 31 self-service drug stores offering a wide variety of merchandise at low prices. Such merchandise includes housewares, hardware, auto supplies, toys, garden tools and lawn mowers, cameras, small appliances and similar home goods.

The filling of prescriptions is fully recognized as a very important function in rendering complete drug store service to Osco customers. This department is usually given a prominent location near the front entrance. Each store is well staffed with experienced Registered Pharmacists dedicated to the principle of filling prescriptions accurately and at reasonable prices.

These stores operate in the main business sections of medium-sized cities, including Elgin, Joliet, Rockford and Waukegan on the far reaches of the Chicago Metropolitan Area. Each store emphasizes a friendly community atmosphere, operates on low retail markups and relies on self-service and high turnover to realize an above-average rate of profit. The store is managed to meet the needs and desires of the individual community in which it is located. Consequently, the store manager has a high degree of authority and responsibility in the merchandising of his own store within the general framework of the low-markup, high-turnover concept. The Osco central buying offices in the Merchandise Mart Building in Chicago make available, as ordered by each store manager, the merchandise lines required to please customers in each locality.

This "Main Street" store operation was expanded in 1961 with the opening of 2 new self-service drug stores, of which 1 was a replacement



Above, typical Osco "Main Street" store, of which 13 are located in Illinois, 8 in Iowa, 5 in Indiana, 2 in Minnesota, 2 in North Dakota and 1 in Wisconsin.

Right, one of the first Jewel-Osco side-by-side combinations opened in Chicago, Illinois on January 10, 1962.

for a store that could no longer serve its market adequately. Two other stores were enlarged and remodeled. In addition, 2 new units were opened in combination with Jewel supermarkets in Chicago, making a total of 33 drug stores in operation at the end of 1961.

We are planning 10 new Osco stores in 1962. Six of these will be combinations with Jewel supermarkets in the Chicago Area and 4 will be "Main Street" stores in Lafayette and Terre Haute, Indiana; Joliet, Illinois; and Grand Forks, North Dakota. The Terre Haute and Joliet units will replace existing stores which have become outmoded. In addition, we have selected a number of medium-sized cities where additional self-service retail drug stores might be located and these cities are currently being investigated for the selection of store sites.



JEWEL-OSCO COMBINATIONS

Jewel-Osco combinations represent a step toward the joint merchandising of varied merchandise lines for convenient one-stop self-service neighborhood shopping. The 2 Osco drug stores opened in the Chicago Area in 1961, and 3 others to be opened in the first half of this year, are free-standing stores connected to adjoining Jewel supermarkets by a common front. It is planned to open 3 more combination units in the Chicago Area in the second half of 1962. Each of these three will be under one roof, with no wall between the Jewel and Osco parts, and with a single entrance and checkout area. A self-service laundry and dry cleaning service will be included with one of these units.

These combinations are from 20,000 to 30,000 square feet in size, with about two-thirds of the area devoted to the supermarket and one-third to the Osco self-service, variety-drug store. They will be operated and merchandised under our Growth Planning and Development Department, using supervisory people transferred from the regular Jewel and Osco operations and drawing on the buying services of each. It will be the task of this operating group to develop a profitable, integrated merchandising approach for these Jewel-Osco neighborhood combinations from the multiple-store management concept in present Jewel supermarkets and the decentralized management of existing Osco stores.

TURNSTYLE CORPORATION



On February 28, 1962, we completed the acquisition of Turnstyle Operating Corporation on a pooling-of-interests basis through the exchange of 60,727 shares of Jewel common stock for all of the shares of Turnstyle. This organization supplements the Jewel-Osco experience in self-service merchandising, extending it to men's, women's and children's apparel and to other soft lines. It completes our search for partners in the domestic field to go forward with the development of self-service retailing around the one-stop shopping concept.

Turnstyle operates 4 self-service department stores in the Boston Area and vicinity. They range in size from 45,000 to 70,000 square feet and none is more than five years old. Supermarkets operated by others are adjacent to two of the stores.



Leon Schwartz, Turnstyle General Manager, and Harold N. Sparks, Turnstyle founder and Jewel Vice President, shown in a Turnstyle self-service department store.



Aerial view of Turnstyle 70,000 square-foot self-service department store located in Lawrence, Massachusetts, opened in November, 1960.

Turnstyle will operate as a division of Jewel and will continue to expand its self-service department store business in the New England Area. Such developments will be planned to incorporate a supermarket operation. Also, the Turnstyle organization will play a large part in the development of our enlarged concept of self-service retailing, the Family Center.

TURNSTYLE FAMILY CENTER

The 110,000 square-foot Turnstyle Family Center in Racine, Wisconsin, is scheduled to be in operation by the time this report reaches you. In this Family Center we are putting into practice the unified merchandising of diverse lines which we believe essential for the long-run success of self-service retailing. This Center is to be operated by a General Manager, using the existing Jewel Food Store buying organization for supermarket items; the Osco organization for drugs, variety and traffic hard lines; and the Turnstyle organization for soft lines. Shoes and millinery are the only leased departments. This facility will be used as a training ground for 4 additional Centers which will be opened in 1963.



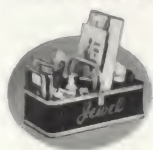
Artist's drawing of 110,000 square-foot Turnstyle Family Center in Racine, Wisconsin, nearing completion as this report is being written. It will incorporate a food supermarket, a variety-drug store and a self-service department store with extended lines of apparel and other soft goods, all under one roof.



*Lee D. Smith, Vice President,
Growth Planning and Development.*

We believe one-stop shopping has a fundamental appeal in the age of automobile living that cannot be matched by traditional shopping facilities. This appeal lies in the convenience of being able to drive up in the car in casual dress, park, browse around without having to go from store to store, and select merchandise of one's own choice from the wider variety in the same space made possible with the self-service method. As this way of shopping spreads up the income scale, we believe customers will increasingly seek out the merchandiser who offers distinctive extra values beyond price alone. It is to this long-term objective that we are building.

HOME SERVICE ROUTES



The direct-to-the-customer Home Service Routes Department, Jewel's original business, displayed signs of renewed vigor in 1961 as it completed its forty-first consecutive year of profitable operations.

Merchandise offered on our 1,881 routes now includes 263 staple grocery, cosmetic and household items, and almost 3,000 general merchandise items, sold with the help of modern catalogs, sales cards and point-of-purchase basket displays.

In previous reports we have commented on the efficiencies resulting from the concentration of regional warehousing operations into larger units. Further refinement of such activity in 1961 has enabled us to eliminate a layer of warehousing and inventory between our manufacturing and key warehousing operations in Barrington, Illinois, and the route stockrooms of our sales people. We are now shipping directly from Barrington, Illinois, to 507 routes in 8 states with improved service at lower costs.

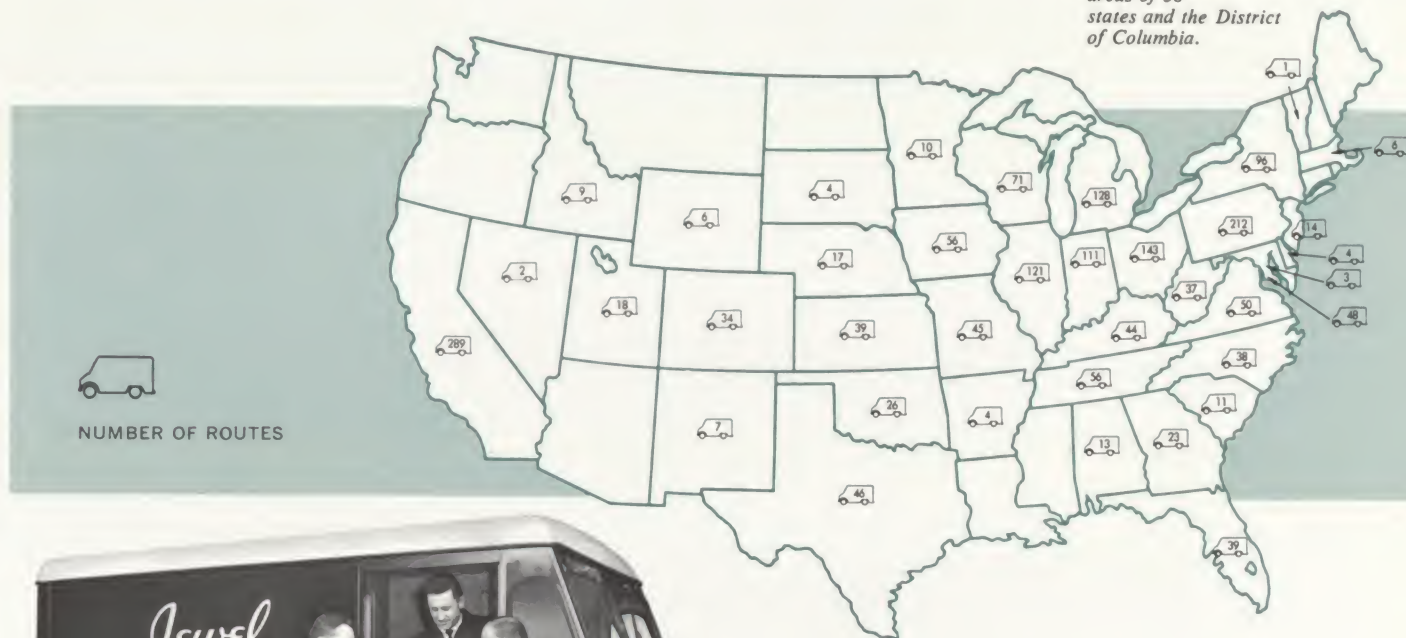
A development of major significance for the future of the Home Service Routes was the inauguration of an incentive compensation plan for route operators called the Cooperative Franchise Plan. Under this plan, the operator is paid on the basis of the profit he produces on his

route—that is, profit on his route after deducting the expenses the operator can influence (such as customer turnover, bad debts, breakage) but without the effect of other items over which he has no control. The route salesman is now in business for himself, with his success being determined by his own ability to sell at a profit. He still retains the advantages of having Jewel supply the merchandise, sales tools and security benefits.

The Cooperative Franchise Plan was tried in limited areas in 1961. In these areas, turnover of customers and personnel were reduced while sales and earnings of route operators were increased without adding to total expense. Higher compensation of route operators was offset by reduced expenses controllable at the route level.

As a result of the foregoing experience, the Plan will be spread to virtually all routes by year end 1962. Also, the success of the Franchise Plan in improving the operation of existing route operators and in attracting higher calibre new people makes it possible for the first time in several years to plan an expansion of our route service. Accordingly, growth programs are being implemented in several Metropolitan Areas, including Chicago, Philadelphia, Cleveland and Hartford, Connecticut.

1,881 Home Service Routes serve most metropolitan areas of 38 states and the District of Columbia.



NUMBER OF ROUTES



Donald S. Perkins, left, Vice President and General Manager, Routes, and Edward L. Johnson, right, Vice President, Routes Sales, visit with route salesman who, together with his associates, calls on over 800,000 customers in their homes every two weeks.



This combination self-service department store and self-service supermarket, a new merchandising concept in Belgium, opened in September, 1961 in a suburb of Brussels.

SUPERMARCHÉS G. B. AND SUPER BAZARS



One of the modern American-type, self-service supermarkets currently in operation in the Kingdom of Belgium.



In our report a year ago, we noted that Jewel had subscribed to 36% of the stock of a new Belgian company, Supermarchés G. B., organized to develop a chain of supermarkets in Belgium and having a capital of \$5,500,000. This investment was made because self-service retailing is developing abroad as well as in this country, and for similar reasons. The growth of suburbs, for example, is proceeding, though still at a somewhat slower pace than in the United States. The central area of Brussels lost 29,000 inhabitants between 1950 and 1959, but this was more than offset by a gain of 66,000 inhabitants in the suburban area. Similar movements have occurred in Antwerp, Liège and other cities as automobile ownership has spread. At present the automobile population of Belgium totals approximately 2,000,000, or 1 for every 5 inhabitants, compared with 1 for every 10 inhabitants eight years ago. Automobile ownership in the United States is approximately 1 for every 2.9 inhabitants.

There were 10 Supermarchés in operation at the close of 1961 as planned. Three of these are located in self-service discount department stores opened in the fall of 1961 by another new Belgian company, Super Bazars. Super Bazars was organized in September 1961 by four companies: Jewel Tea Co., Inc., Grand Bazar of Antwerp (our partner in Supermarchés G. B.), Grand Bazar of the Place St. Lambert at Liège and Grand Magazines of Bon Marché of Brussels. This company had an initial capital of \$5,250,000, of which Jewel and the three other founding partners each subscribed an equal interest. Since then there has been a public offering of Super Bazars' stock, with preference rights to the stockholders of the three Belgian companies and employees of Super Bazars, increasing the total equity capital of Super Bazars to \$7 million.

Our investment in these Companies gives us a foothold in the growing Common Market. Their development will proceed in 1962 with the opening of approximately 8 additional Supermarchés and 2 Super Bazars.

CONSOLIDATED INCOME ACCOUNT**AND ACCUMULATED EARNINGS—UNAPPROPRIATED***(Includes Osco and Turnstyle in both years)***JEWEL TEA CO., INC.**

	52 WEEKS ENDED DEC. 30, 1961	52 WEEKS ENDED DEC. 31, 1960
Sales and Revenues:		
Retail sales.....	\$552,248,995	\$519,721,034
Other sales and revenues.....	3,576,153	4,432,448
Total sales and revenues.....	<u>555,825,148</u>	<u>524,153,482</u>
 Cost of Doing Business:		
Paid to or for the benefit of employees.....	83,206,560	76,523,995
Products, materials and services.....	431,694,622	408,061,599
Depreciation and amortization.....	6,256,393	5,921,588
Rents.....	6,415,794	5,855,533
Repairs.....	2,666,549	2,408,636
Provision for doubtful accounts.....	943,646	1,207,380
Interest on indebtedness.....	848,588	730,913
Federal income taxes.....	10,447,000	10,759,000
State, local and all other federal taxes (exclusive of the collection and payment of sales taxes totaling \$17,177,581 in 1961 and \$15,149,541 in 1960).....	3,316,527	2,737,982
Total cost of doing business.....	<u>545,795,679</u>	<u>514,206,626</u>
 Net Earnings for the Year.....	10,029,469	9,946,856
 Accumulated Earnings—Unappropriated		
Beginning of year—Jewel Tea Co., Inc.....	39,089,110	36,421,061
—Turnstyle Operating Corp.....	500,829	246,850
	<u>49,619,408</u>	<u>46,614,767</u>
 Deduct:		
Cash dividends declared:		
Jewel preferred stock.....	157,812	267,917
Jewel common stock.....	5,345,795	5,458,933
Osco stock.....	74,690	238,618
Stock dividends—Osco.....	—	1,069,200
Transactions in Treasury Stock—Osco.....	—	(9,840)
	<u>5,578,297</u>	<u>7,024,828</u>
 Accumulated Earnings—Unappropriated End of Year.....	<u>\$ 44,041,111</u>	<u>\$ 39,589,939</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET

(Includes Osco and Turnstyle at both dates)

ASSETS	December 30, 1961	December 31, 1960
Current Assets:		
Cash.....	\$ 16,312,844	\$ 16,994,042
Marketable securities and certificates of deposit.....	21,665,516	17,293,730
Accounts receivable, less allowances.....	10,539,677	10,672,220
Inventories, substantially at lower of first-in first-out cost or market.....	40,941,462	39,175,926
Temporary investment in retail store properties.....	3,308,543	2,889,780
Prepaid expenses and supplies.....	1,658,726	1,682,304
Total current assets.....	94,426,768	88,708,002
Deferred Charge—		
Premiums advanced to customers.....	1,365,070	1,414,095
Other Investments.....	3,834,050	2,436,488
Property, Plant and Equipment (at cost):		
Buildings.....	16,297,574	16,125,987
Equipment and leasehold improvements.....	63,418,880	57,689,927
	79,716,454	73,815,914
Less allowance for depreciation and amortization.....	35,836,909	31,533,747
	43,879,545	42,282,167
Land.....	2,472,309	2,483,324
Total property, plant and equipment.....	46,351,854	44,765,491
Goodwill.....	1	1
	<u>\$145,977,743</u>	<u>\$137,324,077</u>

JEWEL TEA CO., INC.

LIABILITIES	December 30, 1961	December 31, 1960
Current Liabilities:		
Accounts payable and accrued expenses.....	\$ 25,003,104	\$ 23,863,309
Dividends payable.....	1,445,090	1,202,036
Accrued federal, state and local taxes.....	11,413,633	11,015,238
Accrued payrolls and profit sharing.....	6,959,316	6,399,341
Long term indebtedness due within one year.....	2,329,078	1,357,059
Total current liabilities.....	47,150,221	43,836,983
 Long Term Indebtedness, less due within one year.....	 17,474,959	 19,804,038
 Deferred Federal Income Taxes.....	 2,735,000	 2,314,539
 Stockholders' Investment:		
Preferred stock—3¾% cumulative \$100 par value—authorized and issued 58,500 shares at December 30, 1961.....	 5,850,000	 5,850,000
Common stock—\$1 par value—authorized 7,500,000 shares; outstanding 3,482,955 shares at December 30, 1961 and 3,543,682 shares after giving effect to a pooling of interests with Turnstyle Operating Corp. on February 28, 1962.....	 27,738,676	 24,810,389
Accumulated earnings—reserved for self-insured losses and general contingencies.....	 1,250,000	 1,250,000
Accumulated earnings—unappropriated.....	44,041,111	39,589,939
Preferred stock in treasury, at cost.....	(262,224)	(131,811)
Total stockholders' investment.....	78,617,563	71,368,517
	<u>\$145,977,743</u>	<u>\$137,324,077</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED SOURCE AND USE OF FUNDS

(Includes Osco and Turnstyle)

Source of Funds:

	52 WEEKS ENDED DEC. 30, 1961
Net earnings for the year.....	\$10,029,469
Provision for depreciation and amortization.....	6,256,393
Sales of common stock.....	2,928,287
Increase in current and tax liabilities.....	2,761,680
	<u>\$21,975,829</u>

Use of Funds:

Dividends to owners of the business.....	\$ 5,578,297
New property, plant and equipment (net).....	7,842,756
Increase in cash and marketable securities.....	3,690,588
Increase in inventories.....	1,765,536
Increase in other investments.....	1,397,562
Net increase in all other assets.....	213,617
Decrease in long term debt.....	1,357,060
Acquisitions of preferred stock.....	130,413
	<u>\$21,975,829</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

EXCHANGE OF STOCK—OSCO DRUG, INC.— TURNSTYLE OPERATING CORP.

On February 16, 1961, all the outstanding capital stock of Osco Drug, Inc. was acquired in exchange for 260,002 shares of previously unissued common stock. On February 28, 1962, all the outstanding capital stock of Turnstyle Operating Corp. and its subsidiaries was acquired in exchange for 60,727 shares of previously unissued common stock. These exchanges have been handled as pooling of interests for accounting purposes and the accompanying financial statements of the companies have been combined for both years.

MARKETABLE SECURITIES AND CERTIFICATES OF DEPOSIT

Marketable securities and certificates of deposit, including accrued interest, are stated at the lower of cost or market. These obligations have an average maturity of 63 days and include the following:

	(000's)	% to Total
U.S. Treasury obligations and Government Agency notes and debentures.....	\$ 8,196	37.8%
Commercial paper.....	6,540	30.2
Certificates of deposit and other bank obligations.....	6,386	29.5
Equipment trust certificates.....	544	2.5
	<u>\$21,666</u>	<u>100.0%</u>

OTHER INVESTMENTS

Investments in affiliated real estate corporations are carried at cost of \$660,250, which is approximately the same as the Company's equity in net assets of the affiliates.

The Company's subscription of 36% of the capital shares of Supermarchés G.B., a Belgian corporation organized in 1960 to operate supermarkets in Belgium, is carried at cost of \$1,856,678, of which \$1,575,668 had been paid at December 30, 1961. During 1961, the Company subscribed to 25% of the initial capital shares of Super Bazars, a Belgian

corporation organized in 1961 to operate self-service department stores in Belgium and other European countries. The aggregate subscription is carried at cost, \$1,309,951, of which \$650,584 had been paid at December 30, 1961. The remaining amounts are to be paid by December 31, 1963 and are included in Accounts Payable and Accrued Expenses.

LONG TERM INDEBTEDNESS

Long term indebtedness at December 30, 1961 includes the following:

	Rate	Total Outstanding	Due in 1962	Final Maturity
Banks.....	3¼-4¾%	\$9,000,000	\$1,500,000	1966
Insurance companies	2.85	5,000,000	500,000	1971
Insurance companies	3.75	3,913,000	217,400	1978
Insurance company	4½	536,500	57,000	1971
Mortgage notes	4½	1,175,405	34,264	1982

PREFERRED STOCK IN TREASURY

Under the sinking fund provisions relating to the preferred stock, the Company must acquire annually on or before each June 30th at least 1,500 shares. At December 30, 1961, the Company had acquired and retired its sinking fund commitments through June 30, 1960 and there were 3,131 shares of preferred stock in the treasury carried at cost (\$262,224) covering 1961, 1962 and part of 1963 sinking fund requirements.

COMMON STOCK AND RESTRICTED STOCK OPTION PLAN

The Common Stock Account was increased, during 1961, by 12,000 shares and \$581,400 through issues to profit-sharing trusts, by 6,533 shares and \$298,754 through issues to employees under a stock purchase plan, and by 74,900 shares and \$2,048,133 through exercise of stock options. Additionally, on February 16, 1961, 260,002 shares of common stock were issued in exchange for all outstanding stock of Osco Drug, Inc. at a value of \$4,429,492, equal to the net worth of Osco Drug, Inc. at December 31, 1960. On February 28, 1962, 60,727 shares of common stock were issued in exchange for all outstanding stock of Turnstyle Operating Corp. and its subsidiaries at a value of \$863,362, equal to the net worth of Turnstyle Operating Corp. and its subsidiaries at December 30, 1961.

At December 30, 1961, there were 215,586 unissued shares of common stock reserved, of which 21,236 shares were for employee stock purchase plan purchases, 126,000 shares were for issuance to profit-sharing trusts and 68,350 shares were for stock options described more fully below:

	Number of Shares		
	Reserved	Granted	Available
Balance, December 31, 1960.....	143,250	100,000	43,250
Granted during year.....		15,000	(15,000)
Exercised during year at aggregate price of \$2,048,133.....	(74,900)	(74,900)	
Balance, December 30, 1961.....	68,350	40,100	28,250
Options exercisable at December 30, 1961		6,350	

Outstanding options at December 30, 1961, were granted at prices ranging from \$31.60 to \$72.68 per share, representing 95% of the high market price on the respective dates of grant. Options may be exercised to the extent of 25% one year after granted and an additional 25% becomes exercisable on each of the next three anniversaries of the date of grant. All must be exercised not later than 10 years after date of grant.

ACCUMULATED EARNINGS—UNAPPROPRIATED
Under the terms of note agreements with insurance companies and the preferred stock provisions of the Certificate of Incorporation (the terms of the note agreements governing) \$32,959,950 is not restricted for cash dividends on common stock at December 30, 1961.

LONG TERM LEASES

Nearly all retail stores and the office-warehouses for the home service routes are under lease. A majority of lease commitments are for ten years or less and the remainder, for the most part, cover periods up to 20 years. Annual minimum commitments for leases expiring beyond five years total approximately \$4,700,000, exclusive of real estate taxes, maintenance and insurance required by some leases. Rentals for leased properties in 1961 included \$1,341,450 paid to affiliated real estate corporations.

TOUCHE, ROSS, BAILEY & SMART
CERTIFIED PUBLIC ACCOUNTANTS

208 SOUTH LA SALLE STREET
CHICAGO 4, ILLINOIS

ACCOUNTANTS REPORT

February 28, 1962

The Board of Directors,
JEWEL TEA CO., INC.:

We have examined the accompanying consolidated balance sheet of Jewel Tea Co., Inc., as of December 30, 1961, and the related consolidated statements of income and accumulated earnings and source and use of funds for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Jewel Tea Co., Inc., and wholly-owned subsidiaries at December 30, 1961, and the consolidated results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche, Ross, Bailey, Smart

Certified Public Accountants

BOARD OF DIRECTORS

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Booz, Allen & Hamilton

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Jewel Tea Co., Inc.

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Administrative Adviser of Operations,
Eisner Food Stores Division

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Commonwealth Edison Company

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Independent Business Consultant

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Jewel Tea Co., Inc.

A. VERNON JANNOTTA
Independent Business Consultant

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Jewel Tea Co., Inc.

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Senior Partner,
McDermott, Will & Emery

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Director Emeritus

STANLEY R. MILLER
Partner,
Goldman, Sachs & Co.

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Jewel Tea Co., Inc.

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Vice President,
Jewel Tea Co., Inc.

PAUL STRATTON
President,
Oscro Drug, Inc.

HAROLD J. SZOLD
Partner,
Lehman Brothers

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and Chief Executive Officer

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Chairman, Finance Committee

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Store Meat Operations

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Vice President, Personnel
and Public Affairs

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Vice President, Route Sales

DONALD S. PERKINS
Vice President,
General Manager, Routes

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Vice President, Food Stores

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President

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Vice President,
Growth Planning & Development

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Vice President, Turnstyle Operations

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Warehousing & Transportation

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Vice President, Real Estate
and Construction

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Vice President,
Store Grocery Operations

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Treasurer

WILLIAM W. TONGUE
Economist

HOWARD O. WAGNER
Controller

ROBERT W. WILLIAMSON
Secretary and
General Counsel

EDWARD T. VORBECK
Assistant Secretary and
General Attorney

CONSOLIDATED TEN YEAR FINANCIAL SUMMARY

INCLUDING OSCO FOR ALL YEARS AND TURNSTYLE FOR 1961 AND 1960*

(Total Dollars in Thousands, except per share figures)

	1961	1960
<i>For the Year</i>		
Retail sales	\$552,249	\$519,721
Earnings:		
Before federal income taxes	\$ 20,476	\$ 20,706
Net for the year	10,029	9,947
Earnings per common share #	2.77	2.82
Dividends per common share #	1.50	1.40
Retained earnings	\$ 4,694	\$ 5,129
Depreciation	6,256	5,922
New property, plant and equipment (net)	\$ 7,843	\$ 9,511
<i>At the Year End</i>		
Net working capital	\$ 47,277	\$ 44,871
Total assets	145,978	137,324
Long term debt	\$ 17,475	\$ 19,804
Preferred stock	5,537	5,691
Common stockholders equity	73,081	65,678
Equity per common share #	20.62	19.04
Number of common shares outstanding #	3,543,682	3,450,249

*Data for Turnstyle, which commenced business in March, 1957, have been omitted for the years 1957, 1958 and 1959. Based on information available Turnstyle data would not be material in relation to the information shown above in those years.

JEWEL TEA CO., INC.

1959	1958@	1957	1956	1955	1954	1953	1952@
\$490,978	\$470,254	\$436,534	\$404,638	\$364,224	\$327,819	\$288,347	\$265,878
\$ 19,380	\$ 17,556	\$ 15,344	\$ 13,572	\$ 11,692	\$ 9,870	\$ 7,641	\$ 7,082
9,381	8,480	7,486	6,730	5,717	5,014	3,767	3,555
2.74	2.51	2.25	2.03	1.74	1.52	1.16	1.18
1.20	1.00	.98	.98	.98	.88	.87	.86
\$ 5,255	\$ 5,069	\$ 4,235	\$ 3,695	\$ 2,726	\$ 2,058	\$ 1,449	\$ 1,247
5,549	4,802	4,356	3,626	3,516	3,000	2,430	2,385
\$ 8,175	\$ 11,361	\$ 7,567	\$ 9,159	\$ 4,956	\$ 8,966	\$ 4,761	\$ 2,086
\$ 42,671	\$ 36,936	\$ 32,909	\$ 31,639	\$ 31,472	\$ 25,472	\$ 29,372	\$ 26,106
117,843	111,425	96,898	91,462	80,447	71,730	65,539	56,766
\$ 18,214	\$ 18,626	\$ 14,355	\$ 13,953	\$ 13,324	\$ 8,846	\$ 9,138	\$ 9,190
5,748	5,803	5,832	5,904	6,595	6,745	6,765	6,994
59,929	51,746	45,567	41,269	36,663	33,720	31,131	25,168
17.92	15.74	14.10	12.91	11.64	10.74	10.33	9.00
3,343,365	3,287,986	3,230,619	3,197,280	3,149,843	3,138,472	3,014,649	2,795,668

@ 53-week year; other years 52 weeks.

Adjusted for stock splits and stock dividends.

PRINCIPAL LOCATIONS

CHAIRMAN, BOARD OF DIRECTORS AND CHAIRMAN, FINANCE COMMITTEE.....	135 South La Salle Street, Chicago 3, Illinois
PRESIDENT AND EXECUTIVE.....	1955 West North Avenue, Melrose Park, Illinois
JEWEL FOOD STORES:	
GROCERY WAREHOUSE AND BAKERY.....	1955 West North Avenue, Melrose Park, Illinois
PERISHABLES WAREHOUSE AND OFFICE.....	3617 So. Ashland Avenue, Chicago 9, Illinois
EISNER FOOD STORES	
OFFICE AND WAREHOUSE.....	301 East Wilbur Heights Road, Champaign, Illinois
OSCO DRUG, INC.	
HEADQUARTERS OFFICE.....	914 Merchandise Mart Plaza, Chicago 54, Illinois
TURNSTYLE	
HEADQUARTERS OFFICE.....	400 Western Avenue, Brighton, Massachusetts
HOME SERVICE ROUTES	
HEADQUARTERS OFFICE AND PLANT.....	Jewel Park, Barrington, Illinois

MAJOR DISTRIBUTION CENTERS

Anaheim, Calif.	Barrington, Ill.	New Castle, Pa.
Stockton, Calif.	Baltimore, Md.	Binghamton, N. Y.

BRANCH DISTRIBUTION CENTERS

Denver, Colo.	Escanaba, Mich.	Knoxville, Tenn.
Jacksonville, Fla.	Kansas City, Mo.	Nashville, Tenn.
Atlanta, Ga.	Omaha, Nebr.	Houston, Texas
Mt. Vernon, Ill.	Charlotte, N. C.	Salt Lake City, Utah
Wichita, Kan.	Tulsa, Okla.	Huntington, W. Va.
		La Crosse, Wisc.

IMPORTING.....	99 Wall Street, New York 5, N. Y.
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JEWEL TEA CO., INC.

TRANSFER AGENT

Manufacturers Hanover Trust Company, 55 Broad Street, New York 15, N. Y.

REGISTRAR

Bankers Trust Company, 16 Wall Street, New York 15, N. Y.

STOCK LISTING

New York Stock Exchange

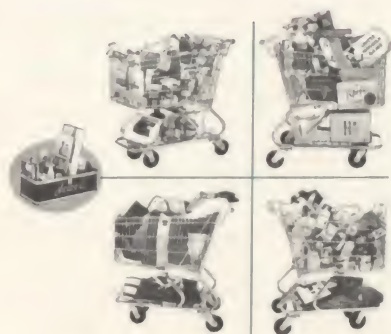
This report is submitted to the stockholders of the Corporation for their information and is not intended to be used in connection with the sale of or offer to sell any securities, nor is it intended to be information to be included in a prospectus within the meaning of the provisions of the Federal Securities Act of 1933, as amended.

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